



Trade and Agriculture **What's at Stake for Michigan?**

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Michigan is an important producer and exporter of agricultural products. The State's farm cash receipts totaled \$3.5 billion in 2000, and its agricultural exports were estimated at \$868 million. These exports help boost farm prices and income, while supporting about 12,400 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports are important to Michigan's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 25 percent in 2000.

Michigan's top five agricultural exports in 2000 were:

- # soybeans and products -- \$195 million
- # feed grains and products -- \$161 million
- # vegetables -- \$142 million
- # fruits -- \$111 million
- # wheat and products -- \$80 million

World demand for these products is increasing, but so is competition among suppliers. If Michigan's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

Michigan Benefits From Trade Agreements

Michigan is already benefitting from a number of agricultural trade agreements. Although there is much to be done, examples of market opportunities for Michigan include:

- # As a producer of soybeans, Michigan benefits as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. The tariff reduction has supported a threefold increase in export volume, with total sales reaching \$32 million in 2000. The Philippines is reducing its tariffs on soybean meal from 10 to 3 percent during the same period. This tariff reduction has supported a 40-percent increase in U.S. soybean meal exports that topped \$160 million in 2000.
- # Michigan, a large feed corn producer, benefitted under the North American Free Trade Agreement when Mexico converted its import licensing system for corn to a transitional tariff rate quota that will remain in effect until 2008. Under this system, the volume of U.S. corn exports to Mexico has nearly tripled since 1994, reaching 197 million bushels valued at \$486 million in 2000. Under the Uruguay Round agreement, the Philippines converted its import ban on corn to tariffs. This change helped support additional demand for 51 million bushels of U.S. corn from 1995 to 2000.
- # As a large processor of sweet corn, Michigan benefits under the Uruguay Round as Japan,

South Korea, and Thailand lower their tariffs on sweet corn. By 2004, Thailand will reduce its tariffs on canned and frozen sweet corn to 30 and 40 percent, and Korea will reduce its tariffs on frozen sweet corn from 60 to 54 percent. Japan reduced its tariffs on frozen sweet corn from 12.5 percent in 1995 to 10.6 percent in 2000. Supported by lower tariffs, U.S. frozen sweet corn exports to Japan increased 12 percent to \$9 million from 1995 to 2000. Similarly, U.S. canned sweet corn exports to South Korea topped \$22 million in 2000, up 120 percent since 1995.

- # As one of the nation's largest commercial apple producers, Michigan benefits under the U.S.-Israel Agreement on Trade in Agricultural Products as Israel expands access to its apple market from 1,600 tons (duty-free quota) in 1995 to 1,855 tons in 2001. Michigan also benefits from the Uruguay Round agreement as Japan and South Korea make substantial tariff reductions on a wide range of fresh and processed fruits.